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SUBJECT: DIRECTOR'S MEETING WITH COA CHAIRMAN SU: PAVING THE WAY FOR
CCA

REF: TAIPEI 00024

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) Summary. In his January 25 meeting with Taiwan's Council of Agriculture (COA) Chairman, Mr. Su Chia-chyuan, AIT Director Young proposed that the inaugural session of the Consultative Committee on Agriculture (CCA) be convened soon, hopefully in the spring. A senior USDA official is expected to come to Taipei to open the CCA, leading a small group of experts who will participate in the meetings. Chairman Su noted that since the remaining issues over the CCA founding documents are resolved, he expected that Executive Yuan clearance of these documents and other internal administrative processes will be completed before the start of the Chinese New Year (February 17). COA's earlier misgivings over the CCA appear to have given way to a more proactive desire to use this mechanism to deepen its relationship with the United States. Director Young also described for Chairman Su his recent meeting with USDA Secretary Johanns, heard COA's concerns over escalating corn prices, and reviewed the status of the WTO rice market access case. End summary.

¶2. (SBU) Director Young and COA Chairman Su held their third meeting in the last ten months on January 25. Each session has demonstrated the Chairman's broad political expertise and his keen interest in Taiwan's overall political environment including, of course, the political context of the agricultural issues he must manage. Director Young opened with a report of his January 3 meeting with USDA Secretary Johanns in Washington, D.C., noting that while serving as Governor of Nebraska, the Secretary traveled to Taiwan more than once. The Secretary was joined in the DC meeting by the newly arrived Under Secretary for Farm and Foreign Agricultural Services, Mark Keenum. The Director related Secretary Johanns' great interest in Taiwan's current situation and the status of the overall trade and economic relationship. In particular, the Director noted, Secretary Johanns is quite interested in seeing that the CCA be established in order to strengthen the existing agricultural relationship between the United States and Taiwan.

¶3. (SBU) Moving on to the specifics of the CCA, the Director proposed that we target spring as the time to hold the first CCA meeting in Taipei. A senior USDA official will represent the U.S. side in convening this inaugural session and will lead a group of experts who will participate in the meetings. Specific dates depend on the availability of appropriate officials from both sides. Chairman Su agreed with that proposal and suggested that AIT/Agriculture and COA's International Cooperation staff coordinate over coming weeks to develop a precise planning timeline and draft agenda for the CCA. This coordination is already underway. Chairman Su added that differences over specific wording in the documents that will formalize the CCA have been resolved and he

expected that the remaining administrative procedures in Taiwan, clearance by the EY and notification to the LY, can be wrapped up before the start of the Spring Festival on February 17.

¶4. (SBU) Chairman Su picked up on an earlier comment by the Director regarding Secretary Johanns' review of the global corn situation to describe the detrimental impact current high corn prices have on Taiwan's livestock sector. The rise in production costs is putting an economic squeeze on hog and poultry producers. One consequence is pressure by hog producers to import corn from China. (See reftel for a more detailed analysis of this situation).

The Chairman noted that there are no barriers to prevent Taiwan companies from purchasing Chinese corn. In his view, if the United States loses market share due to current high prices, it will prove difficult to regain these sales in the future. (Comment: Taiwan companies have so far been unable to agree with China on a reasonable price for its corn. China's corn prices are currently about the same as U.S. prices, and Taiwan users demand a discounted price due to the poorer quality of Chinese corn. End Comment) The Director pointed out that high corn prices are affecting users around the world, including the United States. This largely reflects growing demand for corn by the biofuels sector. He also noted the visit to Taiwan on February 1 by senior executives from the U.S. Grains Council who will meet with COA to discuss this situation.

¶5. (SBU) Moving from corn to rice, Chairman Su described Taiwan's concern that Australia was objecting to terms of the side agreement already negotiated with the United States. The side agreements must be in place before Taiwan will notify its new rice import regime to the WTO, thereby ending the five-year WTO dispute over rice market access. He also said Taiwan was concerned that Egypt will file a WTO objection once Taiwan notifies its new import regime, while discounting the threat of an objection from Vietnam. The Director noted that our bilateral agreement with Taiwan says the United States will help Taiwan respond to any WTO objections.

¶6. (SBU) Comment: The corn and rice issues raised in this meeting illustrate the value of a mechanism like the CCA to focus regular, high-level attention on trade, market access, and policy problems that affect U.S. interests in our sixth-largest agricultural market.

COA's earlier misgivings over the CCA appear to have given way to a more proactive desire to deepen its agricultural relationship with the United States through this consultative framework. Support for the CCA now seems well established at the highest levels. In coming weeks, it will be important for both sides to establish a constructive timeline and meaningful agenda for the first CCA meeting in Taipei. Similarly, USDA should begin determining the availability of the appropriate senior official to lead the U.S. delegation. End comment.

YOUNG